BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF DELAWARE

PETITION TO INTERVE COALITION O		
FOR A DECLARATORY ORDER)	PSC DOCKET NO. 15-1358
PETITION OF VIVINT SOLAR, INC.)	
IN THE MATTER OF THE)	

Energy Freedom Coalition of America, LLC ("EFCA"), pursuant to Rule 2.9 of the Delaware Public Service Commission's ("Commission") Rules of Practice and Procedure, 26-1000-1001 Del. Admin. Code§ 2.9, and the Commission's Order No. 8800, dated October 6, 2015, respectfully petitions to intervene as a party in the above-captioned proceeding.

In support of its petition, EFCA states as follows:

1. EFCA is a national advocacy group registered as a limited liability corporation in the State of Delaware. EFCA promotes the use of rooftop and other customer-owned and third-party owned distributed solar electrical generation for residential and commercial applications. EFCA's current members include Silevo, LLC, SolarCity Corporation and Zep Solar, LLC. EFCA's member companies provide solar energy facilities and services in Delaware and are interested in expanding their provision of solar electric distributed generation ("DG") in the State. EFCA member SolarCity maintains two operation centers in Delaware in Newark and Seaford. EFCA's contact information for this proceeding is as follows:

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- 2. On August 28, 2015, Vivint Solar, Inc. ("Vivint Solar") filed a petition for a declaratory order ("Petition") with the Commission requesting that the Commission clarify that, in offering solar power purchase agreements ("PPAs") or solar leases to residential customers in the State of Delaware, neither Vivint Solar nor any of its subsidiaries or affiliates would be regulated by the Commission as (i) a "public utility" under 26 Del. C. § 201 or (ii) an "electric supplier" under 26 Del. C. § 1012.
- 3. Like Vivint, EFCA's member companies also offer on-site solar energy systems to qualified residential customers. EFCA member SolarCity installs residential solar energy systems in 19 states including Delaware. EFCA therefore has a substantial interest in the subject matter of this case.
- 4. EFCA petitions the Commission to intervene in this proceeding.

 EFCA's members are in direct competition with Vivint Solar and maintain substantial operations in Delaware. Therefore no other party in this proceeding will adequately represent EFCA's interests. For example, Vivint Solar requests that the Commission narrowly find that *Vivint Solar's* business operations will not subject it to Commission regulation. One of EFCA's primary interests in this proceeding is to be sure that any orders stating that third-party ownership models for on-site solar equipment are not subject to Commission regulation apply equally to all similarly situated entities. EFCA's participation in this proceeding is also in the public interest because of its unique status as a national advocacy organization specializing in DG policy. EFCA can therefore provide

the Commission with a broad national perspective regarding the status of third-party ownership in other jurisdictions.

- 5. EFCA supports a regulatory environment in Delaware that reasonably recognizes the benefits of solar DG to electric utilities and their customers and promotes choices in the ways customers may manage the cost of satisfying their need for electric power through solar DG opportunities. EFCA's intervention in this proceeding is timely and does not present any undue prejudice to any other parties in this proceeding.
- 6. For these reasons, EFCA respectfully requests that it be granted intervenor status in this proceeding.

PARKOWSKI, GUERKE & SWAYZE, P.A.

/s/ Elio Battista, Jr.

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Dated: November 10, 2015

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF DELAWARE

IN THE MATTER OF THE)	
PETITION OF VIVINT SOLAR, INC.)	
FOR A DECLARATORY ORDER)	PSC DOCKET NO. 15-1358
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COMMENTS OF ENERGY FREEDOM COALITION OF AMERICA, LLC

Energy Freedom Coalition of America, LLC ("EFCA") is a national advocacy group registered as a limited liability corporation in the State of Delaware that promotes the use of rooftop and other customer-owned and third-party owned distributed solar electrical generation for residential and commercial applications. EFCA's current members include distributed rooftop solar providers Silevo, LLC, SolarCity Corporation, and ZEP Solar, LLC. EFCA's member companies and their affiliates provide solar energy facilities and services in Delaware and are interested in expanding their provision of solar electric distributed generation ("DG") in the State. EFCA member SolarCity maintains two operation centers in Delaware in both Newark and Seaford.

1. The Commission Should Grant Vivint's Petition and find That All Solar Power Purchase Agreements and Leases That are Substantially the Same as Those Described in The Petition are Not "Public Utilities" or "Electric Suppliers" Under Delaware Law.

EFCA supports Vivint Solar, Inc.'s ("Vivint") Petition for a Declaratory Order ("Petition"), with one caveat. Vivint requests that the Public Service Commission ("Commission") issue an order stating, "Vivint Solar's operations in Delaware as described herein would not subject it or its affiliates to regulation as a (1) "public utility" under 26 Del. C. § 201 or (2) an "electric supplier" under 26 Del. C. § 1012(c)(2)...."

¹ Petition at p. 14.

(Emphasis added). EFCA agrees that Vivint's operations should not subject it to regulation by the Commission because solar leases and power purchase agreements ("PPAs") do not meet the definition of a "public utility" on an "electric supplier," as detailed in Vivint's Petition. However, the relief Vivint requests is too narrow in that it asks for an order that only apply to *Vivint's* operations. EFCA respectfully requests that the Commission grant the Petition and find that *all* solar leases and PPAs similar to those described by Vivint are exempt from regulation by this Commission.

As Vivint correctly notes in its Petition, a customer's decision to enter into a Solar Lease or PPA occurs in a fiercely competitive environment² while the notion of public utility rate regulation is premised on the need to protect consumers from the monopolistic nature of public utilities.³ States that have explicitly found that third-party owners of solar DG are not public utilities have not typically done so on a case-by-case basis, but rather for the industry as a whole. The Commission should be cautious not to create uncertainty for the rest of the solar industry by granting Vivint's requested relief too narrowly.

2. Owners of On-Site Solar Equipment Providing PPAs or Leasing Arrangements Are Not "Public Utilities" According to Delaware Law.

EFCA has carefully reviewed Vivint's legal analysis and believes it to be comprehensive and well reasoned. EFCA will therefore not repeat Vivint's arguments

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² Petition at p. 9 (*citing*, See Julia Pyper, Rooftop Solar Companies Are Letting Leads Slip Through the Cracks, Greentech Media (July 24, 2015)).

³ Delmarva Power & Light Co. v. City of Seaford, 575 A.2d 1089, 1096-1097 (Del. 1990) (citing, City of Dover v. Del. Power & Light Co., Del. P.S.C., 3 P.U.R.3d 181, 191 (1953), and stating, "[t]his limitation of competition results in a regulated monopoly of one public utility per area. It reflects a policy that is "the product of many years of unhappy experience with the evils of uncontrolled monopoly, and the resulting ills visited on the public by speculative schemes, unwarranted competitive practices, and unsatisfactory service."); See also, Bonbright, James. Principles of Public Utility Regulation. New York: Columbia University Press, 1961.

and conclusions. Instead EFCA will utilize these comments to supplement Vivint's analysis and to provide additional information regarding how these issues have been decided in other jurisdictions, specifically with regard to Solar PPAs.

a. Third-Party Owners of DG are Already Subject to Substantial Laws and Regulations that Protect Consumers.

The overall purpose of utility regulation is to control monopoly abuse and protect customers from unjust and unreasonable rates. ⁴ The Delaware Court recognized this principle in *Reserves Development Corporation v. State Public Service Commission* ("Reserves"). While the Reserves court found that the water system at issue was a public utility, it did so in part due to the fact that "without PSC regulation, the individual homeowner would have no recourse for dissatisfaction in the event that the majority disagrees with that individual." In fact, the decision states that homeowners in the community would have "no recourse to any governmental agency for complaints relating to the quality of their water provided by the membership corporation" because it was owned and operated by a corporation that operated the water system based on a majority-rules system. ⁶

Customers of third-party DG owners are distinguishable in that they deal at arms length for individual partial-needs sales and have multiple legal and regulatory pathways to complain about the quality of the service or other potential abuses by the third party owners. Solar leasing companies are subject to a variety of federal regulations and subject to the authority of over a dozen state and federal agencies. Below is a list of all

⁴ *Id*

⁵ Reserves Dev. Corp. v. State Psc, 2003 Del. Super. LEXIS 11, *11, 2003 WL 139777 (Del. Super. Ct. Jan. 17, 2003).

⁶ *Id*.

the major government agencies, laws and regulations that govern the solar industry as well as a few of the regulations that govern solar leasing companies in particular.

Equal Credit Opportunity Act Federal Trade Commission Act Fair Debt Collection Practices Consumer Financial Protection Bureau **CAN-SPAM Act** Securities Exchange Commission OSHA Law and Regulations Federal Trade Commission Federal Magnuson-Moss Warranty Act United States Department of the Treasury Consumer Leasing Act Financial Crimes Enforcement Network Fair Credit Reporting Act Occupational Safety and Health Administration Right to Financial Privacy Act State Contracting License Boards Uniform Commercial Code State Engineering License Boards Telephone Solicitations Rules State Consumer Protection Agencies Unfair Deceptive Practices Act (UDAAP) Local Municipalities/Permitting Agencies Electronic Funds Transfer Act State Attorney General Office Electronic Signatures Act Truth in Lending Act

The Delaware Attorney General has the specific authority to bring actions alleging violations of the Consumer Fraud Act and other state and federal consumer protection laws. State and Federal agencies have been effective in stopping bad actors from misleading customers. Unlike the unique situation the Delaware Supreme Court noted in *Reserves*, the Commission is not the only place to resolve consumer complaints that may arise in a solar leasing or solar PPA arrangement.

b. Other Jurisdictions Find that Solar PPAs are Not Public Utilities.

At Least 25 States plus Washington DC and Puerto Rico authorize or allow third-party PPAs for solar DG.⁷ The Iowa Supreme Court and numerous state public utility commissions have squarely examined whether such arrangements trigger public utility status and found that they do not.

i. The Iowa Supreme Court Recently Found that Solar PPAs Do Not Subject Third-party Owners to Utility Regulation.

4

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⁷ Attachment 1, available at http://www.dsireusa.org/resources/detailed-summary-maps/.

In 2014, in the case of *SZ Enterprises, LLC v. Iowa Utilities Board*, ("*SZ Enterprises*") the Supreme Court of Iowa upheld a district court judgment finding that *SZ Enterprises* (doing business as "Eagle Point") was not a public utility by entering into a long term PPA financing agreement with the city of Dubuque "under which the city would purchase from Eagle Point, on a per kilowatt hour (kWh) basis, all of the electricity generated by the system." The Supreme Court of Iowa affirmed the District Court's finding that the "provision of electric power through a 'behind the meter' solar facility was not the type of activity which required a conclusion that Eagle Point was a public utility."

The Iowa Supreme Court noted that the primary inquiry was whether or not Eagle Point was providing service "to the public." This Commission must address this same question. In order to resolve the question of whether a certain activity was clothed with sufficient public interest to qualify as sales 'to the public,' the Iowa Court employed a "practical," "multi-factored approach" to examine the issue. The Court expressed the conservative principle, that to the extent there might be a sufficient public interest to support regulation, jurisdiction should be extended "only as necessary to address the public interest implicated." ¹¹

ii. The Commission Should Look to the Well Established *Serv-Yu* Factors In Performing Its Analysis.

In evaluating whether or not a particular business is clothed with a public interest, the Supreme Court of Iowa looked to the Arizona Supreme Court's eight-factor test

5

⁸ SZ Enters., LLC v. Iowa Utils. Bd., 850 N.W.2d 441, 443-444 (Iowa 2014).

⁹ *Id.* at 444.

¹⁰ *Id.* at 455-456.

¹¹ *Id*.

described in *Natural Gas Service Co. v. Serv-Yu Cooperative, Inc.* ("Serv-Yu"). ¹² The Serv-Yu factors were originally developed by the Arizona Supreme Court to analyze whether a particular individual company was a "public utility." ¹³ The Iowa Court noted that the weighing of Serv-Yu factors is not a mathematical exercise but instead poses a question of practical judgment. ¹⁴

While no Delaware court has specifically adopted the *Serv-Yu* factors, the highest courts of Arizona, Louisiana, Iowa, Colorado and Utah have all cited to *Serv-Yu* in examining the definition of a public utility. While not binding, the factors should help to guide the Commission's analysis on this issue. The eight *Serv-Yu* factors are:

- (1) What the corporation actually does.
- (2) A dedication to public use.
- (3) Articles of incorporation, authorization, and purposes.
- (4) Dealing with the service of a commodity in which the public has been generally held to have an interest.
- (5) Monopolizing or intending to monopolize the territory with a public service commodity.
- (6) Acceptance of substantially all requests for service.
- (7) Service under contracts and reserving the right to discriminate is not always controlling.
- (8) Actual or potential competition with other corporations whose business is clothed with the public interest. ¹⁶

With regard to the first factor, the Iowa Court observed that the solar PPA transaction in *SZ Enterprises* could correctly be characterized as a sale of electricity *or* a method of financing a solar rooftop operation.¹⁷ Importantly, the court observed that the

¹⁴ SZ Enters., 850 N.W.2d at 468 (citing, Iowa State Commerce Commission v. Northern Natural Gas Co., 679 N.W.2d 629 (Iowa 2004)).

6

¹² Id. at 445 (citing, Natural Gas Serv. Co. v. Serv-Yu Coop, 219 P.2d 324 (Ariz. 1950).

¹³ See, Serv-Yu, 219 P.2d 324.

¹⁵ See eg., Mohave Disposal v. City of Kingman, 922 P.2d 308 (Ariz. 1996); Central Louisiana Electric Co. v. Louisiana Public Service Com., 218 So. 2d 592 (La. 1969); Iowa State Commerce Com. v. Northern Natural Gas Co., 161 N.W.2d 111 (Iowa 1968); Public Service Co. v. Public Utilities Com., 350 P.2d 543 (Colo. 1960); and Comm. of Consumer Servs. v. Public Serv. Comm'n, 595 P.2d 871 (Utah 1979).

¹⁶ Serv-Yu, 219 P.2d at 325-326 (Ariz. 1950).

¹⁷ SZ Enters., 850 N.W.2d at 466.

The Court found that from a consumer protection standpoint "there is no reason to impose regulation on this type of individualized and negotiated transaction." ¹⁸ The Court also noted that the Iowa Utilities Board ("IUB") would not seek to regulate behind-themeter solar installations that are owned by the host or which operate pursuant to a standard lease. ¹⁹ The Court observed that the actual issue here is not the supplying of electricity through behind-the-meter solar facilities, but the method of financing. ²⁰ Because the Court found that financing of renewable energy methods is not something that public utilities are required to do under Iowa law "that providing financing for solar activities should not draw an entity into the fly trap of public regulation." ²¹

With respect to the second Serv-Yu factor the SZ Enterprises decision found that the solar panels on the city's rooftop are not dedicated to public use, stating that "the installation is no more dedicated to public use than the thermal windows or extra layers of insulation in the building itself." The Iowa Court concluded that the behind-themeter solar generating facility is made available through a private transaction between Eagle Point and the city. 23

The *SZ Enterprises* decision did not speak to the third *Serv-Yu* factor, which requires an examination of the company at issues' articles of incorporation, authorization, and purposes. However, in the case of Vivint and other similarly situated solar providers, the purpose of such companies to is to help customers manage their demand for

¹⁸ *Id*.

¹⁹ *Id*.

^{&#}x27; Id.

 $^{^{20}}$ Id

²¹ *Id.* at 466-7.

²² *Id.* at 467.

 $^{^{23}}$ *Id*.

electricity much in the same way that an energy efficiency company would. Solar providers do not seek to provide a replacement for traditional electric utility services.

On the fourth Serv-Yu factor, the Iowa Court found that the provisions of on-site solar energy are not an indispensable service that ordinarily cries out for public regulation because Eagle Point's customers remain connected to the public grid for essential electric service.²⁴ The court stated, "behind-the-meter solar equipment is not an essential commodity required by all members of the public. It is, instead, an option for those who seek to lessen their utility bills or who desire to promote "green" energy."²⁵

The Iowa Court found that the fifth Serv-Yu factor relating to monopoly clearly cut against a finding that Eagle Point was a public utility. 26 The Court found that the nature of the third-party PPA indicates that the city merely entered into what amounts to be a low risk transaction and owed nothing to Eagle Point unless the solar array on its rooftop actually produces valuable electricity.²⁷

The sixth and seventh Serv-Yu factors relate to the ability to accept all requests for service and, conversely, the ability to discriminate among members of the public.²⁸ These twin factors further persuaded the SZ Enterprises Court to find that Eagle Point was not a public utility primarily because it was not producing a fungible commodity that everyone needs. ²⁹ The Iowa Court found that Eagle Point "is not producing a substance like water that everyone old or young will drink, or natural gas necessary to run the farms throughout the county."³⁰

 $^{25}Id.$

²⁴ *Id*.

²⁶ *Id*.

²⁷ Id.

²⁸ *Id*.

²⁹ *Id*.

³⁰ *Id*.

Finally, with regard to the eighth *Serv-Yu* factor, the Iowa Court noted that third party solar providers were not in direct competition with the regulated utilities because they are more focused on reducing demand, rather than performing the functions of a traditional utility.³¹ While the Iowa Court acknowledged that this fact could change, there was no evidence in the record to support any significant competition.³² Rather, the Court stated that third party ownership of DG "actually further[s] one of the goals of regulated electric companies, namely, the use of energy efficient and renewable energy sources."³³

As Vivint noted in its petition, the Delaware Supreme Court in *Reserves*Development Corporation v. State Public Service Commission, ("Reserves")³⁴

emphasized the significance of the "essential service" and "essential commodity" involved (i.e., potable water) in finding that the third-party in question was a public utility.³⁵ Similarly, in *Public Water Supply Company v. DiPasquale*, the court affirmed PSC jurisdiction because of the importance of providing residents the opportunity to "reap the benefits of the regulatory framework Delaware has established for potable water."³⁶ The Iowa Supreme Court clearly distinguished between the provision of essential services like potable water and behind the meter solar equipment in reference to several of the Serv-Yu factors and ultimately concluding that solar PPAs do not subject third-party owners to utility regulation.

³¹ SZ Enters., 850 N.W.2d at 468.

 $^{^{32}}$ *Id*.

³³ *Id.* (citing See, e.g., SolarCity, Docket No. E-20690A-09-0346, 2010 Ariz. PUC LEXIS 286, at *74)

³⁴ Reserves 2003 Del. Super. LEXIS 11, *7.

³⁵ *Id.* at *10-11.

³⁶ Pub. Water Supply Co. v. DiPasquale, 802 A.2d 929, 935 (Del. Super. 2002)

iii. A Number of State Utility Regulatory Commissions Have Also Found that Third-party PPA Providers are Not Public Utilities.

A number of state commissions have also determined that third-party PPA models are not public utility as a matter of law. For example, state commissions in Arizona, Hawaii, Nevada and New Mexico directly addressed whether the factual scenarios involved with third-party ownership meet the statutory definition of a public utility subject to those respective commission's jurisdictions.³⁷ The definitions of "public utility" in those states are quite similar to the operative language in 26 *Del. C.* § 102(2) ("for public use") in requiring a particular facility or piece of equipment to be dedicated to public use.³⁸

In surveying the relevant case law on what is meant by "public use" or sale "to the public," these commissions concluded that a dedicated, behind-the-meter generation facility was not offering service "to the public," but rather was engaging in a private transaction to a single, on-site customer.³⁹ Thus, these utility commissions, which are charged with implementing and interpreting the respective state public utility acts, determined that third-party owned systems are not public utilities. In the cases of New

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³⁷ See, e.g., Decision No. 71795, Docket E-20690A-09-0346 Arizona Corporation Commission (7/12/10) (allowing third-party ownership model for government and non-profit customers); *Declaratory Order*, *09-00217-UT*, New Mexico Public Regulation Commission (12/17/10); *Order*, Docket 07-06024, Nevada Public Utilities Commission (11/26/08); Order No. 08-388, Oregon Public Utility Commission (7/31/2008). ³⁸ See, e.g., 1978 NMSA § 62-3-3.G (New Mexico) (public utility status is triggered when a plant or facility is used for "sale... to or for the public"); Hawaii Revised Statute § 269-1(1) (public utility status is triggered when a plant or facility is used "directly or indirectly for public use"); ORS 757.005(1) (Oregon) (public utility status is triggered when a plant or facility is used "directly or indirectly to or for the public") ³⁹ *Declaratory Order*, *09-00217-UT*, New Mexico Public Regulation Commission (12/17/09); *Order*, Docket 07-06024, Nevada Public Utilities Commission (11/26/08); Decision No. 71795, Docket E-20690A-09-0346 Arizona Corporation Commission (7/12/10) at p. 27 (company's offering of on-site facility service to government and non-profit customers does not make it a public service corporation); *In re Powerlight Corp*. Hawaii Public Utilities Commission Decision and Order No. 20633 (11/13/03) at p. 5 (facility that offers service to single "on-site" customer is not a public use).

Mexico, Nevada, and Colorado the state legislatures followed their commissions' lead and codified exemptions for third-party PPA systems after the commissions ruled. 40

3. Conclusion

For all of the reasons stated in Vivint's Petition and for the reasons set forth above, EFCA respectfully requests that the Commission find that solar leases and solar PPAs as described herein and in the Petition would not subject third-party owners of solar DG equipment to regulation as a (1) "public utility" under 26 Del. C. § 201 or (2) an "electric supplier" under 26 Del. C. § 1012(c)(2). Such a decision will help to facilitate Delaware's clean energy and net metering policies and accelerate solar DG adoption across the State.

Respectfully submitted,

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Dated: November 10, 2015

⁴⁰ See., e.g., New Mexico: House Bill 181 (2010) and Senate Bill 190 (2010); Nevada: Assembly Bill 186 (2009); Colorado: Senate Bill 09-051.

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CERTIFICATE OF SERVICE

I, Elio Battista, Jr., Esquire hereby certify that on the 10th day of November, 2015, I served a true and correct copy of the Petition to Intervene and Comments of Energy Freedom Coalition of America, LLC, upon the parties listed below by hand delivery to the following:

Julie M. Donoghue, DAG Delaware Department of Justice 820 North French Street Wilmington, DE 19801 Regina A. Iorii, DAG Delaware Department of Justice 820 N. French Street, 6th Floor Wilmington, DE 19801

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